

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:

INTERPHASE CORPORATION

Debtor

Case No. 15-41732

Chapter 7

**TRUSTEE'S MOTION TO (i) AMEND EMPLOYMENT TERMS OF
GARDEN CITY GROUP, LLC, AND (ii) AUTHORIZE PAYMENT OF FEE**

YOUR RIGHTS MAY BE AFFECTED BY THE RELIEF SOUGHT IN THIS PLEADING. YOU SHOULD READ THIS PLEADING CAREFULLY AND DISCUSS IT WITH YOUR ATTORNEY, IF YOU HAVE ONE IN THIS BANKRUPTCY CASE. IF YOU OPPOSE THE RELIEF SOUGHT BY THIS PLEADING, YOU MUST FILE A WRITTEN OBJECTION, EXPLAINING THE FACTUAL AND/OR LEGAL BASIS FOR OPPOSING THE RELIEF.

NO HEARING WILL BE CONDUCTED ON THIS MOTION UNLESS A WRITTEN OBJECTION IS FILED WITH THE CLERK OF THE UNITED STATES BANKRUPTCY COURT AND SERVED UPON THE PARTY FILING THIS PLEADING WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF SERVICE SHOWN IN THE CERTIFICATE OF SERVICE UNLESS THE COURT SHORTENS OR EXTENDS THE TIME FOR FILING SUCH OBJECTION. IF NO OBJECTION IS TIMELY SERVED AND FILED, THIS PLEADING SHALL BE DEEMED TO BE UNOPPOSED, AND THE COURT MAY ENTER AN ORDER GRANTING THE RELIEF SOUGHT. IF AN OBJECTION IS FILED AND SERVED IN A TIMELY MANNER, THE COURT WILL THEREAFTER SET A HEARING WITH APPROPRIATE NOTICE. IF YOU FAIL TO APPEAR AT THE HEARING, YOUR OBJECTION MAY BE STRICKEN. THE COURT RESERVES THE RIGHT TO SET A HEARING ON ANY MATTER.

Mark A. Weisbart, Chapter 7 Trustee (“Trustee”) in the above-referenced bankruptcy case, files this Motion to (i) Amend Employment Terms of Garden City Group, LLC, and (ii) to Authorize Payment of Fee. pursuant to Sections 328 and 330 of the Bankruptcy Code, seeking to revise the employment terms of Garden City Group, LLC, the estate’s distribution agent, and authority to pay the approved fee. In support of this relief, Trustee would respectfully show the Court as follows:

I. JURISDICTION

1. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. This matter involves a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (B). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The relief requested in this motion is authorized pursuant to 11 U.S.C. §§ 327 and 328(a) and FED.R.BANKR.P. 2014.

II. PROCEDURAL AND FACTUAL BACKGROUND

2. On September 30, 2015 (the “Petition Date”), Interphase Corporation (the “Debtor” or “Interphase”) filed a voluntary petition under Chapter 7 of Title 11 of the United States Code (the “Bankruptcy Code”) commencing the above-referenced bankruptcy case.

3. Mark A. Weisbart was thereafter appointed the interim Chapter 7 Trustee, and has continued in the capacity as trustee since the meeting of creditors.

4. In light of the estate’s assets and the aggregate amount of claims filed by creditors, the Trustee determined there was a reasonable possibility a surplus could arise resulting in a distribution to the Debtor’s shareholders.

5. At the time it ceased operations and filed this case, Interphase was a publicly traded company whose common stock traded on the NASDAQ Stock Market under ticker symbol NASDAQ: INPH. Upon information and belief, on or about October 12, 2015 (the “Delisting Date”), Interphase’s common stock was delisted from NASDAQ due to the commencement of this case. Upon further information and belief, there are 8,393,981 outstanding common shares (the “Common Shares”).

6. The Debtor’s transfer agent until shortly after the commencement of this case was Computershare Investor Services (“Computershare”). Since the Petition Date, however, the Common Shares have continued to trade on the over-the-counter market, the pink sheets, under ticker symbol INPHQ:PK (the “OTC Trading”).¹

7. Given the possibility that this case could result in a surplus estate, on March 31, 2017, Trustee filed his application (the “Employment Application”) to retain Garden City Group,

¹ Financial websites have indicated that the Common Shares have average volume of trading of 16,482. Due to the OTC Trading, the beneficial owners of the shares traded are not readily ascertainable.

LLC (“GCG”) as the estate’s distribution agent for the distribution of any surplus to holders of common shares.

8. As set forth in the Employment Application, it was estimated that the total fees and expenses for GCG services would be under \$10,000.00. Trustee requested authorization to pay Garden City up to this amount without further order of the Court upon completion of its services. If the total fees and expenses exceed this amount, Trustee proposed to submit a fee application pursuant to 11 U.S.C. §§ 328 and 330.

9. Since approval of the Employment Application it has become apparent that this arrangement is unworkable. GCG’s services involve the distribution of the surplus funds to holders of the Debtor’s Common Shares.² Before GCG provides these services, however, the Trustee must first submit and obtain approval of his Trustee Final Report (the “TFR”). But before the Trustee submits his final report, all professional fee applications must be filed and ruled upon. Yet, it’s impossible to determine before GCG’s services are rendered what the precise amount of fees and expenses attributable to those service will be for purposes of submitting any such fee application.

10. Although GCG previously provided an estimate of \$10,000, it has since confirmed (i) the number of outstanding Common Shares for distribution purposes, and (ii) that there exists forty (40) individual registered holders (the “Holders”) of the shares (the “Holder Shares”) with all other shares held in street name through DTCC (The Depository Trust and Clearing Corporation) (the “DTCC Shares”). GCG, however, cannot ascertain the number of beneficial owners of the DTCC Shares.

² The Trustee has concurrently filed his Motion to Approve Equity Distribution and Estate Closing Procedures (the “Distribution Motion”) seeking approval of certain procedures with regard to the filing of the Trustee’s final report, distribution of estate funds to equity holders of Interphase Corporation and closure of the case. Specifically, the Trustee requests authority to identify CGG as the recipient of the surplus responsible for making distribution of the surplus by payment (i) directly to individual registered holders of the Debtor’s common shares, and (ii) DTCC who is holds the remaining common shares in street name for the beneficial owners.

11. A significant portion of GCG's estimated fee is attributable to calls and inquiries from recipients of the surplus GCG reasonably anticipates receiving and having to field. There is simply no way to determine the number of inquiries GCG will receive from the beneficial holders of the outstanding 8.4 million Common Shares.

12. To resolve this dilemma, GCG has agreed to accept as full compensation for its services and reimbursement of expenses the sum of \$15,000.00 (the "Flat Fee").

13. Trustee believes this is in the best interest of the estate and all interested parties. Approval of the Flat Fee will enable the Trustee to finalize his TFR for approval, and will expedite the distribution of the estate to creditors and shareholders and the closure of the case.

III. RELIEF REQUESTED

14. Trustee requests, pursuant to Sections 328 and 330 of the Bankruptcy Code, approval of the foregoing modification to GCG's employment terms and authority to pay GCG the Flat Fee in full satisfaction for its prospective services and expenses.

15. Section 328(a) provides that a trustee, with the court's approval, may employ a professional person under section 327 on any reasonable terms and conditions of employment, including, without limitation, on a percentage fee basis or a contingent fee basis. While the terms of such employment were previously approved by the Court, the Trustee believes that such terms and conditions are improvident in light of developments not capable of being at such time.

IV. SERVICE

16. Service of this Motion has been made in accordance with the Court's Order Granting Application to Limit Notice of Pleadings Pursuant to Fed.R.Bank.P 2002(h) and 9007. Trustee requests the Court find that such notice is appropriate and sufficient.

V. PRAYER

WHEREFORE, the Trustee respectfully requests that the Court enter an Order (i)

approving the modification in the terms of Garden City Group, LLC's engagement, (ii) authorizing his payment of \$15,000 for its services, and (iii) granting him Trustee such other and further relief to which he is justly entitled.

Respectfully Submitted,

/s/ Mark A. Weisbart

Mark A. Weisbart

Texas Bar No. 21102650

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COUNSEL FOR CHAPTER 7 TRUSTEE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing instrument was served on the parties on the attached mailing list in accordance with LBR 9013(f) either through the Court's electronic notification system as permitted by Appendix 5005 III. E. to the Local Rules of the U.S. Bankruptcy Court for the Eastern District of Texas, or by first class United States Mail, postage prepaid on this the 28th day of December 2017.

/s/ Mark A. Weisbart

Mark A. Weisbart

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| Label Matrix for local noticing 0540-4 Case 15-41732 Eastern District of Texas Sherman Thu Dec 28 11:27:48 CST 2017 (p)MICHAEL REED OR LEE GORDON PO BOX 1269 ROUND ROCK TX 78680-1269 | Evan R. Baker 1601 Elm Street Suite 3000 Dallas, TX 75201-4757 Interphase Corporation 4240 International Pkwy Suite 105 Carrollton, TX 75007-1985 | Shawn M. Christianson Buchalter, A Professional Corporation 55 Second St., 17th Fl. San Francisco, CA 94105-3491 John J. Kane Kane Russell Coleman & Logan PC 1601 Elm St. Suite 3700 Dallas, TX 75201-7207 |
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| George C. Scherer Law Office of Robert Luna, PC 4411 N. Central Expy. Dallas, TX 75205-4210 | Laurie A. Spindler Linebarger, Goggan, Blair & Sampson 2777 N. Stemmons Frwy Ste 1000 Dallas, TX 75207-2328 | US Trustee Office of the U.S. Trustee 110 N. College Ave. Suite 300 Tyler, TX 75702-7231 |
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Mark A. Weisbart
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The preferred mailing address (p) above has been substituted for the following entity/entities as so specified by said entity/entities in a Notice of Address filed pursuant to 11 U.S.C. 342(f) and Fed.R.Bank.P. 2002 (g)(4).

Lee Gordon
McCreary Veselka Bragg & Allen, PC
PO Box 1269
Round Rock, TX 78665

The following recipients may be/have been bypassed for notice due to an undeliverable (u) or duplicate (d) address.

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| (d)Mark A. Weisbart The Law Office of Mark A. Weisbart 12770 Coit Road, Suite 541 Dallas, TX 75251-1366 | (d)Mark A. Weisbart The Law Office of Mark A. Weisbart 12770 Coit Road, Suite 541 Dallas, TX 75251-1366 | End of Label Matrix Mailable recipients 12 Bypassed recipients 2 Total 14 |
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